

# Senate Study Bill 3206

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
AGRICULTURE BILL BY  
CO=CHAIRPERSON JOHNSON)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to suppliers and dealers of agricultural and  
2 industrial, construction, or utility equipment, and providing  
3 an effective date.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
5 TLSB 6144SK 81  
6 da/sh/8

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1 1 Section 1. Section 322F.7, unnumbered paragraph 1, Code  
1 2 2005, is amended to read as follows:  
1 3 A supplier violates this chapter ~~if the~~ by failing to  
1 4 comply with a provision of this chapter, including by  
1 5 performing an act prohibited by this chapter or not performing  
1 6 an act required by this chapter. In addition, a supplier  
1 7 violates this chapter if the supplier does any of the  
1 8 following:  
1 9 Sec. 2. Section 322F.7, Code 2005, is amended by adding  
1 10 the following new subsection:  
1 11 NEW SUBSECTION. 8. Terminates a dealership agreement for  
1 12 equipment without good cause or adequate prior notice as  
1 13 required in section 322F.2.  
1 14 Sec. 3. EFFECTIVE DATE. This Act, being deemed of  
1 15 immediate importance, takes effect upon enactment.  
1 16 EXPLANATION  
1 17 This bill relates to certain types of dealership agreements  
1 18 governed under Code chapter 322F. Under that chapter,  
1 19 dealership agreements generally involve agricultural equipment  
1 20 franchises, but they may also involve construction equipment,  
1 21 industrial equipment, utility equipment, or outdoor power  
1 22 equipment franchises. Under the Code chapter, a franchisor is  
1 23 referred to as the supplier and a franchisee is referred to as  
1 24 a dealer or dealership. Generally, Code chapter 322F  
1 25 regulates business relationships between suppliers and dealers  
1 26 by providing for the terms and conditions of dealership  
1 27 agreements.  
1 28 The bill addresses an issue involving the scope of a  
1 29 supplier's liability under Code section 322F.8, which states  
1 30 that a dealer may bring a civil action against a supplier for  
1 31 damages sustained by the dealer as a consequence of the  
1 32 supplier's "violation" of the chapter. Code section 322F.7  
1 33 enumerates a list of violations without specifically  
1 34 referencing other sections of the Code chapter. A question  
1 35 has arisen whether that list is exhaustive, and whether a  
2 1 dealer may bring a civil action against a supplier for damages  
2 2 for a violation of the Code chapter if the violation is not  
2 3 enumerated in Code section 322F.7. For example, on March 22,  
2 4 2005, the United States district court for the northern  
2 5 district of Iowa, in an order granting summary judgment, found  
2 6 that the list of violations in Code section 322F.7 was  
2 7 exhaustive and thus a dealer could not sue a supplier for  
2 8 damages under Code section 322F.8 for failing to terminate the  
2 9 dealership in compliance with Code section 322F.2, which  
2 10 requires good cause (as defined in Code section 322F.1) and  
2 11 adequate notice to the dealer. (Highway Equipment Co. Inc. v.  
2 12 FECO Ltd. (No. C03=0076)).  
2 13 The bill provides that a supplier violates Code chapter  
2 14 322F by failing to comply with a provision of the chapter  
2 15 regardless of whether it is enumerated in Code section 322F.7.

2 16 It also adds a provision to the enumerated list contained in  
2 17 Code section 322F.7 by providing that terminating a dealership  
2 18 agreement for equipment without good cause or adequate notice  
2 19 is a "violation" of the Code chapter. Thus, a dealer could  
2 20 bring a civil action against a supplier under Code section  
2 21 322F.8 for the failure of a supplier to comply with the good  
2 22 cause and notice requirements in Code section 322F.2.  
2 23 The bill takes effect upon enactment.  
2 24 LSB 6144SK 81  
2 25 da:nh/sh/8